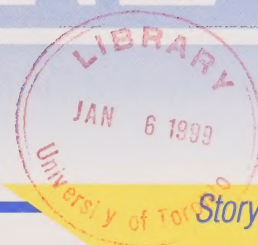


# PENSION NEWS

Government  
Publications



Teachers' Pension Plan Board  
Conseil du régime de retraite des enseignantes et des enseignants

Issue 18  
Fall 1998



Story on page 3

*How the pension fund has fared*

## Amidst Market Turmoil

**INFLATION  
INCREASE  
0.9%**

How does the drop in the markets affect the value of pension plan investments? What is the plan's surplus now? Has market volatility affected our investment strategy? These are three investment-related questions we've recently heard most often from pensioners. Let's take each of these in turn.

### The market and your pension plan

The plan remains fully funded, with more than enough assets to cover the cost of all pensions promised.

The plan's assets are primarily stocks and bonds, which can, in the short term, fluctuate widely. The markets caused the pension plan's assets to rise sharply during the first six months of the year. Since then, market declines eliminated the earlier gains. At the end of September 1998, the pension plan's net assets were \$54 billion, slightly below the \$54.5 billion we reported at the end of 1997.

### Smoothing reserve

One way to cushion the effects of market volatility on the surplus is to use a smoothing reserve. Like many pension funds, we spread the annual change in assets over five years to level out the

short-term swings in the value of our investments.

This means that when fund value rises, we put some of what we earn into the smoothing reserve, and if the fund value drops, we draw from the reserve to lessen the impact. The reserve smooths the gains over time, and absorbs short-term market volatility. At the beginning of the year, the smoothing reserve was \$5.6 billion.

### Surplus?

The Teachers' pension plan had a \$3.6 billion surplus as at September 30, 1998. Although this is down from \$4.4 billion at the end of 1997, it does not affect our ability to pay pensions.

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## How the Pension Fund Has Fared Amidst Market Turmoil

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### Special payments continue?

The agreement negotiated between the OTF and the Ontario government in April stipulates that the actuarial valuation next January will determine when the government can stop making special payments to the unfunded liability. The government will continue to make special payments until the actuarial gains are sufficient to eliminate the initial unfunded liability.

### Will we change our strategy because of market volatility?

Our investment strategy is aimed at the long term. Since market volatility is an expected short-term event, there is no reason to change our investment strategy.

The market fluctuations we've seen since July are short-term results. A better indicator of long-term performance is the average rate of return over four or more years. During the eight years since the pension plan began investing in the open market, the fund has grown by an average of 13.4% per year. In 1990, the plan's assets were \$17 billion; today they have grown to about \$54 billion.



## FROM A LONG-TERM PERSPECTIVE

If you had invested \$1,000 in the TSE 300:

- on July 17, 1998, it would have been worth \$794 on October 30.
- five years ago, it would have been worth \$1,459.
- 10 years ago, it would have been worth \$1,828.

**TSE 300 Price Index  
1978 to October 30, 1998**



Chart courtesy of Scotia Capital Markets Quantitative Strategy



## More Than 10,000 New Pensioners

The 85-factor window made it possible for an extra 6,000 teachers to retire this summer with an unreduced pension. In all, a total of 10,000 teachers, more than twice the usual number, have retired so far this year bringing the total number of pensioners to more than 65,000. In comparison, about 4,650 teachers retired in 1997.

We expect the number of teachers retiring to return to typical levels during the next three years. In 2002, the final year of the window, the number of teachers retiring is expected to rise sharply.

### Anticipated the impact

Processing pension estimates for 14,000 eligible teachers in less than a month and ensuring 10,000 new retirees received their pensions required anticipation and planning. We began preparing the data and the review of member files late last year amidst growing rumours of a possible 85-factor deal.

The preparatory work ensured that teachers eligible to retire with an unreduced 85-factor pension received a pension estimate and a retirement application form within 21 days of the announcement.

#### NEW PENSIONERS (FROM JANUARY 1 TO AUGUST 31)

RETIREMENT BY GROUPS	1998	1997
Unreduced 85 to 89 factor	6,150	—
90 factor pensions OR age 65 OR 35 years of credit	2,950	2,850
Reduced pensions, minimum age 55	1,050	1,500
<b>TOTALS</b>	<b>10,150</b>	<b>4,350</b>

(Numbers have been rounded to the nearest 50)



## 0.9% Increase to Pension Begins January 1999

Your annual pension will increase by 0.9% starting with your January 1999 payment.

If you recently went on pension, your increase will be pro-rated. For example, if you retired this past June, your pension increase will be 0.45%.

The increase is slightly different than the annual change in the Consumer Price Index (CPI) recently announced by Statistics Canada. The government agency compiles various costs of goods and services, such as food, housing, clothing, transportation and energy, every three months, and compares them with the same month of the previous year to see if they have increased or decreased.

The Teachers' Pension Plan requires us to calculate your inflation adjustment differently. We take the average annual change in the CPI for the past 12 months, smoothing the increases and decreases to give you a steadier change year by year.

**IN ADDITION** to the 0.9% inflation increase, those 65 or over will receive a pension increase based on the change in the CPP reduction announced in the last issue of *Pension News*.

### Can my pension decrease?

No. Your pensions are fully indexed to inflation to a maximum of 8% per year. Any additional inflation will be carried over to future years when inflation is below this maximum. Similarly, if there is negative inflation—or deflation—your pension remains the same and we carry the deflation over to the next year of inflation.

For example, if there is a deflation of -0.5% in year 2005, and an inflation of 1.5% in 2006, we would subtract the carried-over deflation and increase your pension by 1.0% in 2006.

#### EXAMPLE

Year	CPI	Pension Increase
2005	-0.5% (deflation)	0%
2006	1.5% (inflation)	1%





## Changes to Pension Statements

We continuously look for ways to improve our service to you, and always welcome your comments and suggestions. Beginning January 1999, we will have a new pension payment system that will improve our payment process and implement some of your suggestions.

Your January 1999 payment notice will look different from previous years. The statement you currently receive with your direct deposit pension, the "pension payroll statement", will be replaced with a "direct deposit advice".

One of the benefits of this new system is we will be able to offer those of you who receive more than one pension from us, a single combined statement and a combined deposit into your account. By year 2000, you will also receive a combined T4A.

### Payments to ex-spouses

Another benefit is greater efficiency in the way we handle pensions with payments to ex-spouses. Currently, the deduction and your payment are handled manually and the deduction is shown on your statement. When we begin using our new system to process your split pension, you will no longer see the deduction on your deposit advice form. Instead, the figure shown will be the amount of your pension after the payment to your ex-spouse. This change will not affect the amount of your pension payment.

You also told us you don't like your social insurance number (SIN) on your payment statements and cheques. To better protect your privacy, we have assigned each of you

an internal reference number (IRN) that is unique to you. Starting January, your IRN will replace your SIN.

### Separate mailing for T4As

Some of you told us you found it confusing when we enclosed your T4As in with your deposit statements. Therefore, next February we will mail your 1998 T4As separately.

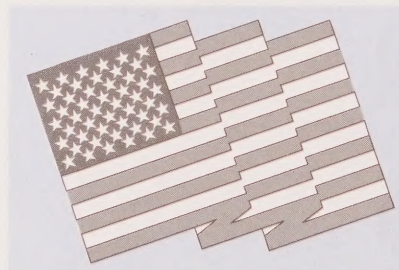
Thank you again for your suggestions. We will continue to listen and look for ways to improve our payment processes and statements.

### Changes of address

Have you moved lately or plan to move in the near future? To ensure you receive your T4A on time, send us your new address. ■

## U.S. Bank Mergers Effect on Foreign Payments

If you are heading south for the winter or if you live in the United States, check with your U.S. bank to see if it was one of many to merge.



We've recently had problems with payments issued in U.S. funds. Certain banks have changed addresses. For example,

payments to the merged Barnett and Nations Banks were recently delayed because we have last year's address.

Avoid a lapse in your pension payments. Check with your U.S. bank before you redirect your payment and make sure there are no changes. ■







# Music Benefits Teacher and the Community

*Retired teacher finds  
personal fulfillment bringing  
song and dance to  
Toronto-area nursing homes.*

When elementary school teacher Judith Ross retired, she missed the creative outlet that came with directing school choirs. To fill the void, she joined a local singing group of



*Judith Ross at home.*


seniors at the Wagman Centre, a community group at the Baycrest Centre for Geriatric Care.

While she enjoyed the songs and skits they performed for seniors around Toronto, Judith felt the emphasis on Yiddish and Hebrew songs limited the choir's audience. She also felt their performances could be enhanced if they memorized the words.

She soon became the director of the choir, adding music that appealed to a broader audience. Then the choir members memorized the words to songs, allowing them to add simple choreography to their act.

Now Judith's troupe visits many retirement and nursing homes, performing a Twenties & Thirties Review, medleys from the Second World War, and songs from Broadway and the musical Oklahoma.

"Although I miss working with young children, I have found personal satisfaction in what I am doing," says Judith. "The rewards are not monetary; it is the happiness we see in our audience's eyes."

"Once a woman stricken with Alzheimer's, who had not walked unassisted or spoken since entering the nursing home, left our performance pushing her walker and singing. The staff had tears in their eyes." 

## ***Never been busier?***

*Started a new business when you retired?*

*Want to tell us about an exciting adventure?*

***Send us your story.***







# Directors Represent All Teachers, Pensioners and Beneficiaries

Your pension plan is sponsored by a partnership between the Ontario government and the Ontario Teachers' Federation (OTF). Each partner appoints four directors to the Board of Directors and together the partners select the chair as the ninth director.

The partners have selected directors who have the expertise and experience required for the pension plan's mandate of administering pension benefits and investing the pension fund.

The OTF has one direct representative on the board. David Lennox, a retired teacher and the secretary of the Ontario Public School Teachers' Federation, is also a member of OTF's board of governors. The Ontario government has no direct representatives on the Board.

The directors cannot make improvements to the pension plan such as changing the retirement factor to 85 or changing the reduction to your pension at age 65—that is the role of the partners.



*Clockwise from bottom left: C. Edward Medland, David J. Lennox, Gary Porter, Jalynn H. Bennett, Robert W. Korthals, Roger D. Wilson, Geoffrey W. Clarkson, Lucy C. Greene. Absent: Ann Finlayson*

## Best interest of all members

Directors are required by law to act independently of the sponsoring partners and to make decisions in the best interest of all beneficiaries. The law also requires directors to act as trustees in accordance with the rules of the pension plan, governing legislation and common law.

This means each director, whether they are appointed by the government or the OTF, must set aside his or her allegiances and act in the best interest of all pension plan members. This is the responsibility of all directors on boards of corporations.

## Role of the directors

Directors spend most of their time addressing investment issues, such as reviewing the overall investment policy, asset mix, and performance of investment portfolios, as well as approving large investments.

They also review the administration of plan benefits and services to members on a regular basis. ■

## PENSION NEWS

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